

**CONSORTIUM FOR EDUCATION, RESEARCH &
TECHNOLOGY OF NORTH LOUISIANA
SHREVEPORT, LOUISIANA
JUNE 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/23/11

CONSORTIUM FOR EDUCATION, RESEARCH & TECHNOLOGY OF NORTH LOUISIANA

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7

OTHER REPORTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8-9
Schedule of Findings and Questioned Costs	10
Schedule of Prior Year Findings	11

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLP

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
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318-429-1525 PHONE • 318-429-2070 FAX

December 16, 2010

To the Board of Directors
Consortium for Education, Research & Technology of North Louisiana
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of Consortium for Education, Research & Technology of North Louisiana (a nonprofit organization) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consortium for Education, Research & Technology of North Louisiana as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010 on our consideration of Consortium for Education, Research & Technology of North Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

Heard McElroy & Vestal, LLP

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CONSORTIUM FOR EDUCATION, RESEARCH & TECHNOLOGY OF NORTH LOUISIANA

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

Current assets:

Cash	130,063
Accounts receivable	<u>6,223</u>
Total current assets	<u>136,286</u>

Total assets	<u>136,286</u>
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NET ASSETS

Payables:

Accounts payable	43,022
Deferred revenue	<u>20,089</u>
Total liabilities	63,111

Net assets:

Unrestricted	4,773
Temporarily restricted	<u>68,402</u>
Total net assets	<u>73,175</u>

Total net assets	<u>136,286</u>
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The accompanying notes are an integral part of the financial statements.

CONSORTIUM FOR EDUCATION, RESEARCH & TECHNOLOGY OF NORTH LOUISIANA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and other support:</u>			
Contractual revenue-grants (Note 2)	-	226,037	226,037
Dues	<u>43,500</u>	<u>-</u>	<u>43,500</u>
Total revenues and other support	43,500	226,037	269,537
 Net assets released from restriction	<u>157,635</u>	<u>(157,635)</u>	<u>-</u>
	201,135	68,402	269,537
 <u>Expenses:</u>			
Board meetings	1,076	-	1,076
Consulting and professional fees	69,231	-	69,231
Dues	1,140	-	1,140
Insurance	2,024	-	2,024
Miscellaneous	376	-	376
Phone	3,756	-	3,756
Postage	155	-	155
Rent	307	-	307
Salary and benefits	131,002	-	131,002
Supplies	1,270	-	1,270
Travel and conference	<u>4,538</u>	<u>-</u>	<u>4,538</u>
Total expenses	<u>214,875</u>	<u>-</u>	<u>214,875</u>
 <u>Change in net assets</u>	(13,740)	68,402	54,662
 <u>Net assets, beginning of year</u>	<u>18,513</u>	<u>-</u>	<u>18,513</u>
 <u>Net assets, end of year</u>	<u>4,773</u>	<u>68,402</u>	<u>73,175</u>

The accompanying notes are an integral part of the financial statements.

CONSORTIUM FOR EDUCATION, RESEARCH & TECHNOLOGY OF NORTH LOUISIANA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

<u>Cash flows from operating activities:</u>	
Change in net assets	54,662
Change in accounts receivable	(5,531)
Change in payables	43,022
Change in deferred revenue	<u>(6,453)</u>
Net cash provided by operating activities	<u>85,700</u>
 <u>Net increase in cash</u>	 85,700
 <u>Cash at beginning of year</u>	 <u>44,363</u>
 <u>Cash at end of year</u>	 <u>130,063</u>

The accompanying notes are an integral part of the financial statements.

CONSORTIUM FOR EDUCATION, RESEARCH & TECHNOLOGY OF NORTH LOUISIANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1. Summary of Significant Accounting Policies

a. Nature of Activities

Consortium for Education, Research & Technology of North Louisiana (CERT), is a nonprofit corporation under the laws of the State of Louisiana. CERT was established to facilitate and link the five North Louisiana post-secondary educational systems with industry to support workforce development, technology transfer, and economic development to foster the growth and success of the region's industry.

b. Basis of Accounting

The financial statements of CERT have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

c. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

d. Income Taxes

As a nonprofit organization, CERT is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Therefore, no provision for income taxes has been made in the financial statements. CERT is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. It must also consider whether it has nexus in jurisdictions in which it had income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, CERT must assess whether it has any tax positions associated with unrelated business income subject to income tax. CERT does not expect any of these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

CERT is required to file U.S. federal Form 990 for informational purposes. Its federal income tax returns for the tax years 2006 and beyond remain subject to examination by the Internal Revenue Service.

e. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (Continued)

f. Cash and Cash Equivalents

All transactions for CERT are processed through the Accounting Services Department at Louisiana State University in Shreveport (LSUS). As programs are conducted and costs are incurred, expenses are paid by and reimbursed to LSUS. CERT's cash, as stated for cash flow purposes, consists of cash held at LSUS in various pools of funds. The composition of the cash is as follows:

LSUS Foundation Account	15,948
LSUS Grant Accounts	120,338
LSUS CERT Revenue Account	<u>(6,223)</u>
	<u>130,063</u>

g. Revenue and Support

Contributions received may be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

h. Compensated Absences

All employees of CERT are included in the payroll systems of other entities. Such entities bill CERT periodically for reimbursement of the costs of such employees, including employer-related costs, as such costs are paid out. Accordingly, CERT does not accrue a liability for vacation or sick leave.

Employees earn approximately fifteen days per year of vacation leave, which may be accumulated up to approximately 22 days. In addition, employees earn approximately sixteen days per year of sick leave, which may be accumulated without limitation. Days earned by each employee are contingent upon the payroll system from which they are paid.

i. In-Kind Gifts

Many of the grants received by CERT require CERT to secure in-kind donations of various types. The value of these in-kind gifts is not reflected in the financial statements.

2. Contractual Revenue

During the year ended June 30, 2010, CERT received contractual revenue from government grants in the amount of \$7,050, as well as \$218,987 of grants from nongovernmental entities and public universities. The continued existence of these funds is based on annual contract renewals with various funding sources; amounts renewed may differ significantly from those in existence at June 30, 2010. All revenue from these grants is subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries; adjustments in future periods may be necessary as final grant settlements are determined. Such grant revenue is summarized as follows:

2. Contractual Revenue (Continued)

Strategic Action Council	8,010
Southern University	10,000
Gulf Geo Exchange and Consulting	24,990
Louisiana Department of Economic Development	7,050
Encana Oil and Gas	110,000
Shell Oil	25,000
Community Renewal International	3,333
Louisiana Tech University	<u>37,654</u>
	<u>226,037</u>

3. Conditional Promises

Conditional promises consist of the unfunded portions of approved governmental awards, either currently in effect or approved for commencement after June 30, 2010. Future funding of such awards is conditioned upon CERT's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to CERT, they have not been recognized in the financial statements at June 30, 2010. Such conditional promises amounted to approximately \$63,334 at June 30, 2010.

4. Subsequent Event

CERT funding is generated from a variety of sources. In addition to annual membership dues, CERT has been the recipient of numerous grants and contracts since its incorporation. CERT continues to pursue foundations, community organizations, the private sector and other resources for ongoing support.

Subsequent events were evaluated through December 16, 2010, the date which the financial statements were available to be issued.

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December 16, 2010

To the Board of Directors
Consortium for Education, Research & Technology of North Louisiana
Shreveport, Louisiana

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

We have audited the financial statements of Consortium for Education, Research & Technology of North Louisiana, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Consortium for Education, Research & Technology of North Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2010-01 in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2010-01 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Consortium for Education, Research & Technology of North Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of the Board of Directors and Management of Consortium for Education, Research & Technology of North Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Hearn, McElroy & Ventral, LLP

CONSORTIUM FOR EDUCATION, RESEARCH & TECHNOLOGY OF NORTH LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2010

I. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Consortium for Education, Research & Technology of North Louisiana.
2. One significant deficiency, which is also a material weakness, is reported.
3. No instances of noncompliance were disclosed during the audit.
4. CERT is not subject to a Federal Single audit for 2010.

II. Findings – Financial Statement Audit

2010-01 Material Weakness

Condition: As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Organization's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated an ability to perform these functions in house.

Criteria: Pursuant to the requirements of Statement on Auditing Standards No. 115, "Communicating Internal Control Related Matters Identified in an Audit," this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Effect: The Organization does not have the resources (i.e. internal controls and expertise) to prepare the annual financial statements, complete with notes and free of material misstatement, in accordance with generally acceptable accounting principles. The auditor prepared the annual financial statements.

Recommendation: Whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies an auditor reports under SAS 115. In this case, we do not believe that curing the material weakness described would be cost effective or practical and accordingly, do not believe any corrective action is necessary.

Management Response: As noted above, no recommendation is made and no corrective action is necessary.

CONSORTIUM FOR EDUCATION, RESEARCH & TECHNOLOGY OF NORTH LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2010

I. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Consortium for Education, Research & Technology of North Louisiana.
2. One significant deficiency, which is also a material weakness, is reported.
3. No instances of noncompliance were disclosed during the audit.
4. CERT is not subject to a Federal Single audit for 2009.

II. Findings – Financial Statement Audit

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Organization's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated an ability to perform these functions in house. This condition is repeated as 2010-01.